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# FOREIGN INVESTMENT IN THE SUBREGION, PROBLEMS, PROSPECTS AND STRATEGIES*

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## I. INTRODUCTION

The objective of this study is to examine the trends, patterns, policies and problems pertaining to private direct foreign investments in south-east and developing east Asia, with a view to suggesting ways of accelerating the volume and improving the quality of such investments to meet national development needs and aspirations.

In view of the time constraint, it has not been possible to extend the scope of the study to include all countries in the region or to examine all the issues involved. All the five ASEAN countries and the Republic of Korea are studied, but the coverage on each country varies with the availability of materials. The region in this paper denotes these countries.

Section II examines the foreign investment policies, constraints and patterns in the above countries. The approach is regional rather than country by country, since the countries do face common problems and adopt many common investment incentives. Particular difficulty was faced by the empirical data on the pattern of foreign investments in the region. The data are usually not comparable in terms of coverage, definition and time reference. Section III examines only a few issues pertaining to foreign investment in the region, specifically the question of economic nationalism and ownership and control, problems of technology transfer, and the problems posed by Japanese investments in the region. Due to the broad scope of the study, it has not been possible to examine any of the issues in substantive detail. Section IV looks at the prospects of foreign investments in the region, in the light of national development priorities and constraints, and the international and regional forces that determine the scope for such investments in the region. Finally, some proposals are made with regard to improving the quantity and quality of such investment flows.

## II. FOREIGN INVESTMENT POLICIES, CONSTRAINTS AND PATTERNS

### 1. The overview

Foreign investment policies and attitudes in ASEAN and developing East Asia reflect not only economic but also political and other non-economic considerations; they are the responses to a long colonial history, the post-independence commitment to economic nationalism and development, and the emphasis on industrialization in the last two decades. They represent a compromise of the conflicting demands of economic nationalism on the one hand, and the need to secure private foreign investments and its attendant package of capital, foreign exchange, entrepreneurship, management, organization and technology, in order to accelerate the pace of industrialization

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and economic development on the other.

With the exception of Thailand, the countries in the region have at various times been occupied by colonial powers which, inter alia, have led to the rapid opening up of these countries to foreign trade and foreign investment. Foreign investments were largely concentrated in resource development and largely geared for the export market. There was little industrialization beyond the level of cottage industries. The newly independent states were committed to transforming their largely alien-dominated economies into national economies, with national ownership and control of not only the traditional sectors but also the modern sectors, and to ensuring that the fruits of economic development and expansion accrue increasingly to nationals. There are two strands in the expression of economic nationalism. In the first place, it was directed at the large non-indigenous communities (largely of ethnic Chinese but also other Asian minorities) who had come to dominate the trade, commerce and finance in the economies of Southeast Asia. With the transfer of political power to nationals after the Second World War, there were substantial transfers of assets from the resident alien communities and their traditional participation in trade and commerce were increasingly circumscribed and in some sectors prohibited by the new political leaderships. Policies have also been designed to promote the economic and social development of the indigenous communities. One direct short-term and medium-term economic consequence of this movement has been to deprive the south-east Asian countries of the large resident reservoir of entrepreneurship and expertise, so that public enterprise had increasingly to fill the vacuum. The public sector, in turn, suffers from grossly inadequate administrative efficiency and administrative personel, a typical condition of underdevelopment.

In the second place, economic nationalism was directed at the larger western enterprises, which in many cases had followed the flag. Transfers of foreign-owned enterprises to nationals have proceeded steadily in most cases, and the entry of new foreign capital and foreign enterprise, while encouraged and promoted in some sectors, is generally subject to strict control and continued surveillance. Thus, the relative importance of aliens and foreign-owned enterprises have declined in the rapidly expanding economies of south-east Asia. Increasingly too in recent years, the focus of economic nationalism has shifted from the over-all threat to national sovereignty posed by the activities of resident aliens and western enterprises, to concern over the excessive dependence on Japanese trade, foreign investment and tourists.

/Pursuit

Pursuit of the development goal has exerted heavy pressures on available foreign exchange resources in the region, necessitating a heavy and continuing dependence on external financial resources. Export earnings from primary commodities are not only subject to a high degree of volatility but are generally inadequate to meet the rapidly rising demands of developmental and consumption imports and debt servicing. While the degree of dependence on private and public external capital varies with countries in the region, and for each country over time, there is no disputing the importance of private foreign investment.

The broad goals of development in the countries of ASEAN and developing East Asia are essentially similar, based on the emphases on growth with equity, economic diversification, industrialization, regional balance and employment creation. But there are also significant differences in emphases, reflecting the different stages of development, the relative sizes of the economies, and the differences in economic and social homogenity. Singapore and the Republic of Korea tend to be much more growth-oriented and have succeeded in being the fastest growing economies in the world in the last two decades; in these countries, unemployment is no longer a problem, whereas manpower development and technological innovation are. Indonesia, Malaysia, Philippines and Thailand have large agrarian sectors and high unemployment, and are undergoing serious problems of balancing growth with equity considerations. Malaysia and Indonesia are also seriously concerned with the problem of regional balance: in Malaysia this has been seriously compounded by the problem of achieving ethnic balance.

Countries in the region are generally well endowed with natural resources (with the notable exception of the city-State of Singapore), but all are constrained by the small size of the domestic market when attempting industrialization. As such, private foreign investment tends to be attracted more by the region's natural resources than its markets. But private foreign investment is generally not very welcomed in resource development, while its role in industrial development is actively promoted in all the countries. There is the need to depend on private foreign investment for an industrial take-off and a perceived need to keep foreigners away from ownership and control of a nation's natural resources. The latter attitude often arose from the confusion over "exploitation" in the technical and economic senses. Economic exploitation can arise when the host country through ignorance or lack of effective bargaining power gives away cheap concessions and fails to reap the full economic rent from its ownership of resources. However, OPEC has shown that host countries and resource owners can assert considerable

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bargaining power and extract a higher economic rent. In any event, the bargaining strength of the countries in the region is greater in resource-oriented investments than in market-oriented industrial investments. Another reservation arose from the depletion of non-renewable resources leading to future impoverishment. Apart from the argument for resource conservation for future generations, such fear is generally unwarranted, since the earnings from natural resource extraction can be used to build an industrial base for future development through investments in the physical infrastructure and in human resource development. Hence resource exploitation is non-renewable only in the technical sense. Even here, it applies only to mineral resources, since forestry resources can be renewed through proper reforestation programmes. The reservation of a country's natural resources to be exploited only by nationals can only be supported on political grounds.

The exclusion and restriction of private foreign investment from the natural resource sector is one thing, but the preferential treatment accorded such investments in the manufacturing sector is another. Hla Myint has argued (ADB Study, p. 49) that the preferential treatment which countries in the region generally accorded private foreign investment in manufacturing in contrast to the treatment accorded such investment in primary production and resource development can be justified on economic grounds only on one condition; that is, investments in manufacturing are generally capable of yielding greater indirect economic benefits to the recipient country than investments in resource exploitation or development. But industrialization policies and foreign investment policies in the countries of the region do not necessarily warrant such a conclusion at all times. Foreign investments in import-substituting industries enjoying heavy protection from the government's trade policies can lead to inefficiencies and impose an economic burden on the host country in the form of higher consumer prices, tax receipts foregone, and foreign exchange burden from the remittances of earnings aborad. Secondly, it has not been amply demonstrated that the transfer of technological and managerial know-how has generated greater external economies in manufacturing than in resource development; the development of the rubber industry in Malaysia under the impetus of foreign enterprise is a case in point. Thirdly, there ar both linkage effects in industry as well as in resource development.

The commitment of the countries in the region to industrialization not only increased the dependence on private foreign investment as a source of capital and foreign exchange, but also increased the dependence on such

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investments for the other components of the investment package. Industrialization strategy in all countries was first based on import substitution, but increasingly there has been a shift towards export orientation. During the import substitution phase, the promise of protection acted as a strong source of attraction for private foreign investments interested in the domestic market. In the export orientation phase, the major attraction of the region is its cheap labour resources. But in both the import substituting and export orientation phases, investment promotion has been backed by supporting legislation and institutional creations. Invariably the cornerstone of the various investment promotion programmes is the tax incentive. In fact, tax exemption and concession is so widespread in the region that it can be regarded as a non-incentive in so far as the choice between alternative investment locations within the region is concerned.

The role of private foreign investment in manufacturing activities is a controversial one in the region (as it is in host countries in other parts of the world, developing or developed). There is a fear on the part of the political leadership, and of the populace, that foreign investment may carry with it a high economic as well as political cost, since the froeign enterprise pursues commercial objectives and policies which often do not coincide with the development aspirations, needs and priorities of the host country. It is generally accepted that private foreign investment (particularly the transnational corporation), brings in a package form, and much more efficiently than other forms, the necessary ingredients for industrialization and economic development, viz. financial capital, foreign exchange, entrepreneurship, management and organization, technology, marketing expertise and market access and generally a more efficient industrial environment. What is controversial is the extent of dependence on such investments and the ability or otherwise to maximize the net benefits that can accrue to the host country. Benefits to the host country can be eroded and even negated by the following practices - excessive dependence on imported industrial inputs, insufficient export orientation, unfair transfer pricing practices, inadequate employment and training of local personnel, inadequate and inappropriate transfer of technology, failure to share ownership and control with local entrepreneurs, lack of local research and development activities, and unfavourable social and cultural impacts. Variations in the foreign investment policies among countries of the region, as well as over time in each country, reflect different perceptions of the net benefits that can accrue from private foreign investment, as well as differences in resource and market endowments, range of available options and national priorities.

2. The investment climate

In general, countries in the region compete with each other for private foreign investments and at times try to outdo each other in the provision of various investment incentives. However, tax incentives are only one group of factors that contribute to the investment climate of a country. Also the relative attractions of the countries to the foreign investor depend not only on the general investment climate but the particular type of investment intended. Investments which are resource-oriented would find few pickings in Singapore, but considerable scope in Indonesia. But while resource-extraction is location-bound, the processing of such resources need not be so, and Singapore has been able to attract significant processing industries on the bases of economic access to the natural resources of South-east Asia and cost competitive processing and marketing facilities; this competitive edge, however, has been seriously eroded as resource producing countries restrict the export of raw materials and promote domestic processing activities. For domestic-market-oriented investments, the larger economies of Indonesia, the Republic of Korea, Philippines and Thailand would seem to offer greater attractions to the potential investor than the smaller economies of Malaysia and Singapore. But the significance of the size of the market varies with the nature of the product and scale economies. In any event, the effective market size is not only a function of population numbers but also of level and distribution of income, demand elasticities and extent of market fragmentation. For export-market-oriented investments, the overriding consideration is that of competitive production and marketing costs. For the region as a whole, the attraction for transnational corporations in search of global sourcing is the relative abundance and low cost of labour. For footloose industries, location can be influenced by a country's investment incentives and general promotion programme. Thus the Republic of Korea and Singapore were the first countries in the region to be large recipients of export-oriented investments by transnational corporations. Full employment and rising labour cost in these countries have reduced their comparative advantage in labour intensive manufactures for export and the other countries of ASEAN have become major recipients of new investments in labour intensive export manufacturing.

A favourable investment climate is one which minimizes investor risks and maximizes investor profits. Investment risks depend on political and economic stability, on guarantees against expropriation, and on freedom to repatriate capital and remit profits, dividends, interests and other earnings. Risk factors are not necessarily within the policy control of

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the host country. Politically the countries of the region suffer from various degrees of instability; the threats of external aggression and internal subversion and the frequent changes of government and political and social unrest have detracted from the attractions of the region as an investment location, and have seriously affected investment flows to Indonesia and Thailand in more recent years. The more authoritarian governments in the Republic of Korea, the Philippines and Singapore have contributed to a more stable investment climate. Economic instability can arise from the structure of the economy and from economic mismanagement. Generally investment inflows have accelerated where countries have embarked on economic reforms and attained some measure of monetary stability and economic growth. Foreign investments into the Republic of Korea, for example, did not rise materially despite the introduction of investment incentives, until economic reforms were well underway. Similarly, investments into Indonesia rose after 1966 with the change of government and a new commitment to economic goals. Although most countries of the region subscribe to the International Convention for the Settlement of Investment Disputes and all guarantee against expropriation (at least not without due compensation) the history of arbitrary expropriation in some countries have contributed to investor uncertainty.

The profit maximization objective can be achieved either through tax reductions and exemptions, which affect the rate of return after tax, or through cost reductions. The investment promotion programmes of the countries in the region tend to emphasize the former and neglect the latter. Costs include expenses incurred in securing market information, feasibility studies, delays in investment approvals and other preproduction expenses, actual production costs and marketing expense. Singapore, more than any other country in the region, has emphasized cost reductions in its investment promotion programme. The establishment of the Economic Development Board as the co-ordinating agency for industrial development and its relative efficiency in processing and approving investment proposals are well known. The general absence of import tariffs, quotas and various indirect taxes minimize the cost of imported inputs. Labour legislation, and the functioning of the National Wages Council as well as manpower development programmes have promoted industrial discipline and ensured that wage increases are in consonance with productivity improvements. The rapid development of the financial sector contributed to the relatively low cost of domestic borrowings. Huge investments have also gone into the development of various infrastructural facilities that support industrialization, viz.

industrial estates, power stations, container ports and satellite communications. The city-State is also generally considered an attractive place for foreigners to live in and there are no fundamental cultural and linguistic barriers, since Singapore is essentially multi-racial and multi-cultural and English is the dominant language of administration and commerce. In short, many countries in the region have not placed adequate emphasis on creating a more favourable investment climate through the development of a more efficient supporting infrastructure; such an emphasis benefits not only the foreign investor but also the host country.

3. Trends in foreign investment policies

A conscious foreign investment policy has been evolved in each of the countries in the region only after political independence, and in particular upon the embarkation of an industrialization programme. The need for an active investment promotion programme to initiate and accelerate industrialization, coupled with the bias against foreign investment in natural resource development, has meant that the promotion of foreign investments is closely linked, if not at times made synonymous, with the promotion of industrialization. Most of the countries in the region embarked on industrialization around 1960. Initial overtures made to foreign investors by way of incentives often did not produce the required inflows and necessitated the adoption of more liberal foreign investment policies. Such liberalization of investment laws and other rules and regulations and favourable economic conditions have led to large scale inflows of private foreign investments in many countries. But the sudden influx of investments and investors have often created a sensitivity to their overpresence in the early 1970s, resulting in a more restrictive stance being adopted towards private foreign investment. This retreat from liberalism has coincided with the growing criticism of transnational corporations in other parts of the world, as well as with the rise of economic nationalism in the OPEC countries which culminated in the oil crisis of October 1973.

In Indonesia, attitudes and policies toward foreign investments have shown an inconsistent trend. Before the Second World War, Dutch private investments dominated the modern sector of the economy, a classic example of investment following the flag. Being associated with the colonial regime, these enterprises became the obvious political target of the nationalist movement and were confiscated. They were returned to their foreign owners in 1949 as part of a political compromise, but political dispute with the Netherlands resulted in their confiscation by the Indonesian government a second time in 1957.

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The period 1957-1966 saw the extension of Indonesian control over all foreign enterprises in the country. New foreign private investments were not welcomed during this period, and although there were many new industrial projects, these were established with finance from foreign credits. Foreign credits were also widely used in public utilities projects. Credit-financed projects were largely politically motivated and were not efficiently run. "They saddled Indonesia with large foreign debt commitments which were quite independent of the economic return on the investments to Indonesia, and they did not in most cases transmit to Indonesia the technical know-how needed for their continued operation". (Sadli in Drysdale 1972, p. 212) Production-sharing agreements were also negotiated with foreign contractors in resource development projects. Such an arrangement was regarded as preferable to traditional private foreign investment, since it involved no foreign equity or control; the foreign contractor supplies the credit with repayment scheduled on the basis of production sharing. In 1963 the international oil companies operating in Indonesia had to change their former concession contracts into "contracts of work" and these were changed to production sharing arrangements in 1966. In the same year a financial settlement was reached whereby compensation was paid to the former Dutch enterprises confiscated by the Indonesian government.

A near bankrupt economy and a series of events brought about a change in government. The new government under Suharto adopted a new approach to economic policy and brought about a basic change in the foreign investment policy. This new policy endured till 1974. The government was fully conscious of the need for private foreign investment to supply the package of capital, foreign exchange, management and organization, and technology to develop the country's natural resources and assist in the industrialization programme. Foreign aid was directed largely to support the balance of payments and to develop the infrastructure. There was disenchantment with the use of suppliers' credits to establish industrial projects. In the petroleum industry production sharing contracts became the main form of foreign investment, after initial resistance from the major international oil companies.

The new regime also enacted the Foreign Investment Law in 1967. The law has as its central feature the tax holiday. The 1967 enactment and subsequent amendments in 1970 served to encourage foreign investments into areas where domestic capital and expertise were clearly inadequate. While many investors went into resource development, there were also substantial

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investments in industrial enterprises. These were usually defensive investments, that is to protect the market share initially developed by exports and threatened by the Indonesian import substitution strategy and its attendant protection of domestic industries. In 1973 the Investment Co-ordinating Board (BKPM) was established to provide prospective investors with a central co-ordinating body for investments outside of mining, forestry, oil, banking and insurance. However, although much improvement was made to the investment climate since 1966, there were still serious disincentives to foreign investment in Indonesia. The major problems centred around the bureaucratic red tape which slowed down the process of investment approval and implementation and thus raised the transactions cost, and the inadequacies of physical, financial and human infrastructures. There were also many restrictions placed on the entry and operation of foreign investors. As foreign investments grew, sensitivity to their presence developed, culminating in the rioting during the visit of the Japanese Prime Minister in early 1974. This led the government to modify its investment guidelines and to adopt a more restrictive attitude towards foreign investments.

Malaysia had adopted a more liberal attitude towards private foreign investments until the implementation of the New Economic Policy in 1971. Foriegn private investment had played a very significant role in the development of modern Malaysia, particularly in the plantations and mining sectors which have been the major revenue earning sectors of the country. With independence in 1957 however, the focus shifted towards promoting foreign investment to support the industrialization programme. Major objectives of Malaysia's industrialization programme (which was initially based on import substitution but is increasingly export oriented) are employment generation, utilization of domestic resources, regional industrial dispersal, and the development of backward and forward linkages. The Pioneer Industries Ordinance was enacted in 1958 to provide tax holidays for promoted enterprises. Pioneer was defined to cover industries and products with favourable prospects for development in Malaysia and which were yet inadequately developed. Import substitution was fostered by rising tariff protection. In 1965, the Federal Industrial Development Authority (FIDA) was established to co-ordinate industrial development in the country and to advise government on industrial policy.

A change in emphasis from import substitution to export orientation was evident in Malaysia in the later years of the 1960s. This led to the Investment Incentives Act of 1968, which superseded the Pioneer Industries

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Ordinance and increased the range of incentives available, with new emphasis on use of domestic materials, regional dispersion and labour utilization. Tax holiday was maintained as the major incentive instrument. To accelerate the pace of industrialization, the Capital Investment Committee (CIC) was formed in 1969 as a top policy organ to assist in the identification of priority areas.

Under the New Economic Policy (NEP) adopted for the 1971-1990 period, the eradication of poverty and the restructuring of Malaysian society to reduce regional and ethnic economic imbalances were identified as the two basic objectives. Fundamental to the NEP is the creation within one generation of a commercial and industrial community among the indigenous people through the ownership and management of at least 30 per cent of the total commercial and industrial activities in the country and through restructuring employment to reflect the racial composition of the country by 1990. The NEP has as its target an ownership structure whereby by 1990 the indigenous Malaysians will own 30 per cent of all corporate shareholdings, the non-indigenous Malaysians another 40 per cent, and the foreigners the remaining 30 per cent. The planned ownership structure for the Third Malaysian Plan of 1976-1980 and the Perspective Plan of 1971-1990 is shown in table 1 (in the annex). The restructuring effectively circumscribes the role of private foreign investment in Malaysia, although it is officially maintained that the NEP will be achieved only within the context of growth and expansion, so that there will be increasing opportunities for all.

Institutional and legislative support for the ownership targets under the NEP took various forms. In 1974 the Foreign Investment Committee (FIC) was established to ensure the progressive achievement of the ownership targets. The FIC became responsible for formulating policy guidelines on foreign investment and monitoring and supervising their progress. 1974 also saw the enactment of the Petroleum Development Act which placed the entire ownership, rights, powers and priviledges of exploiting petroleum resources on land and off shore in the government corporation, PETRONAS, modelled after the Indonesian PERTAMINA. The acquisition of shares by the Malay private sector has proceeded at a pace which was considered inadequate for the achievement of the 1990 targets. This has necessitated the establishment of trust funds and foundations by the public sector which will purchase corporate shares in trust for the indigenous community.

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One of the most controversial legislations in Malaysia with regard to industrial investments and which has caused considerable disquiet to foriegn and domestic investors is the Industrial Co-ordination Act of 1975. The declared objectives of the Act are to assist in the implementation of the government's industrialization policy, to ensure orderly development and growth of industries, and to facilitate the collection of industrial information. The underlying consideration is to further the implementation of the NEP. It has been widely criticized for the high degree of government control implied. The Minister is given wide discretionary powers to impose conditions in the issue of licences, conditions pertaining to equity structure, control structure, employment structure and the like. Licences are not transferable without prior approval and can be revoked for failure to comply with the conditions laid down for their issuance. Licensing is required not only of new enterprises but of all existing industrial enterprises where the shareholders' funds are not less than $M 250,000, and where employment in the enterprise is not less than 25 full time workers. Only processing activities such as palm oil milling, rubber processing and padi milling are exempted from registration under the Act. The ICA also brought an end to the previous open door policy towards foreign private investments.

The Philippines has had a long history of foreign investment and foreign control. Before the Second World War the majority of foreign investments were of American origin and were geared mainly towards the extractive industries, commercial export crops and public utilities. Foreign investments under colonial rule led to the typical development of an enclave economy. In postwar independent Philippines there was widespread controversy over the role of foreign private investments. The tide of economic nationalism was strong, with emphasis on the Filipinization of the economy. The Philippines Constitution specifies that ownership of land, exploitation of natural resources and operation of public utilities are reserved for Filipinos, or enterprises which have at least 60 per cent Filipino equity ownership. In the 1950s, under the impetus of import substituting industrialization and industrial incentives offered, foreign investments flowed into the manufacturing sector to establish processing plants and consumer goods industries. By 1965 half the foreign investments were to be found in the manufacturing sector.

A comprehensive set of laws and regulations governing the entry and operation of foreign investments in the Philippines was developed in

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the later part of the 1960s and the early 1970s. The Investment Incentives Act was enacted in 1967 providing incentives for various categories of promoted enterprises. This was followed by the Foreign Business Regulation Act of 1968 which made it mandatory for all investment projects with more than 30 per cent foreign equity participation to seek the approval of the Board of Investment. The Board of Investment oversees the investment applications under the various incentive legislations also. In 1970 the Export Incentives Act was enacted to provide incentives for the new orientation towards export markets. The Laurel-Langley Agreement expired in 1974 ending the parity treatment hitherto accorded to American investments in the Philippines. Direct presidential rule and the proclamation of martial law dramatically improved the foreign investment climate with the restoration of law and order. Various presidential decrees since 1973 and the Agricultural Investment Incentives Act of 1977 contributed to a more favourable climate for foreign investors.

Singapore has adopted the most consistent and open foreign investment policy in the region. When Singapore embarked on industrialization in 1961 it adopted an essentially outward looking industrialization strategy and saw a role for foreign investment as an instrument to accelerate industrialization. Foreign investments were needed to supply the industrial risk capital, entrepreneurship and management, technology and access to export markets. The open door policy towards foreign investment has been shaped by various factors. Firstly, there is the outward looking development philosophy fostered by the entrepot trade, the immigrant origin of its peoples, and the smooth transition from colonialism to nation state which left no xenophobic hangovers. Secondly, the limited development alternatives facing an economy that is handicapped by its small physical size, its dearth of natural resources, its small market base and lack of industrial technology do not permit even a moderate form of economic nationalism to flourish. Finally, foreign investment in the 1960s was the only way possible for Singapore to accelerate the pace of industrialization to overcome the pressing problems of high unemployment and a stangnating entrepot sector.

Fiscal incentives to attract industrial investments were first introduced in Singapore in 1959 under the Pioneer Industries Ordinance and the Industrial Expansion Ordinance. These were later consolidated in the Economic Expansion Incentives Act of 1967 (EEIA) which also introduced additional incentives for the promotion of exports and the transfer of technology from abroad. The EEIA and its later amendments form the main incentive legislation designed to attract foreign investors. Singapore's

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main attractions for the foreign investor do not lie in its system of tax incentives but in its political and economic stability, and in its well developed physical, financial and human infrastructures. The city-State is also unique in the general absence of laws and regulations that restrict the entry and circumscribe the operation of foreign investors. There are no restrictions on the sectors in which foreign investors may participate, and capital repatriation and remittances of profits, dividends and interest are unrestricted since there is no longer any exchange control regulations. There are no conditions governing local equity participation, domestic content, or employment of nationals, although the government naturally would prefer joint ventures and the employment of nationals in managerial and technical positions. An open door policy has enabled the city-State to overcome to a large degree the traditional disadvantages imposed by its lack of natural resources and lack of a market. While foreign investments permeate the economy and foreign managers, technocrats and workers form a large percentage of the workforce, there is no controversy over the role of foreign investment in the country and no sensitivity to the overpresence of foreign investors.

Thailand is the only country in the region without a colonial past nontheless, economic nationalism found strong expression in the country's rules and regulations governing foreign investments. Before the Second World War, foreign investments were concentrated mainly in trade and mining. In the 1950s, under the impetus of import substituting industrialization, foreign investments became important in the manufacturing sector. The first industrial investment promotion law was enacted in 1954, but for various reasons failed to attract much investments. The new military régime in 1958 set new guidelines for promoting private investment, followed by the promulgation of the Promotion of Industrial Investment Act (PIIA) in 1962. The Board of Investment was established to administer the incentive ligislation.

The 1962 Promotion of Industrial Investment Act classified activities eligible for promotional incentives into three categories, each with different degrees of incentive treatment. Amendments to the Act in 1965 and 1968 tended to reduce the range of incentives available. In 1972 a new investment law replaced the 1962 Act and extended the scope of promotion as well as increased the power of the Board of Investment. Increased foreign investment inflows at the same time evoked a fear of foreign control and led to the adoption of the Alien Business Law and the Occupation of Aliens Law in 1972. The former law limits the participation of foreigners in certain economic

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sectors, while the latter restricts certain occupations to Thai nationals only and disallows aliens to work without a licence. While the two pieces of legislation are directed essentially at the resident alien Chinese community, it did have a dampening effect on all types of foreign investment. However, resentment towards foreign investment increased and the foreign investors became the symbol of all that had gone wrong with the country's over-all pattern of economic and social development. Resentment culminated in violent demonstrations in early 1974. The investment climate deteriorated rapidly. In an effort to improve the general investment climate, a new Investment Promotion Act was promulgated in 1977. But internal political instability that found expression in the frequent change of governments and the external threat to the country posed by a communist Indochina have remained serious obstacles to investment in Thailand.

In the Republic of Korea the aftermath of the military action saw the rehabilitation and reconstruction of the war-torn economy with the assistance of large injections of foreign aid. It was not until after 1957 that attention turned to development planning and the adoption of a comprehensive economic programme. As foreign concessional and commercial loans were directed increasingly to finance capital formation, a role was also found for private foreign investment. This led to the promulgation of the Foreign Investment Encouragement Law in 1960 with tax incentive features common to similar legislation in other countries. However, there were no significant private foreign equity investments in the 1960-1965 period. "Thus, up to this point, investment was primarily made to form an acceptable equity base to induce aid loans or other kinds of credit backed by the repayment guarantees of the government. Investors did not commonly take the total risk on ventures by themselves". (Yang in Drysdale, 1972, p. 245).

In 1966 the Office of Investment Promotion was established and the Foreign Capital Inducement Act promulgated to improve the investment climate and formed part of reforms underway. Bureaucratic red tape was minimized with a single agency co-ordinating the various investment services. The basic policy towards foreign investment is one which encourages, protects and manages foreign capital so that it may contribute to the development of the Korean economy, in particular its balance of payments and technology needs. However, political and economic stability and a rapidly growing economy as well as the availability of industrious low cost labour have served as the main attractions for the foreign investor. With the rapid development of domestic managerial and entrepreneurial skills and the

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growing stock of industrial risk capital, there is an evident shift in emphasis from dependence on foreign investments in the form of wholly-foreign-owned subsidiaries to joint ventures, and from joint ventures to the unbundling of the direct investment package, with the separate acquisition of capital through suppliers' credits and other commercial loans and of technology through licensing agreements.

4. Incentives, restrictions and regulations

Although the range of incentives offered to the foreign (and domestic) investor in the countries of the region show a surprising degree of similarity, there are significant differences in the areas delineated for priority development and promotion and in the range of sectors and industries closed to foreign equity participation.

In Indonesia the foreign investment law distinguishes between priority sectors and sectors closed to foreign investors. The priority sectors, in which foreign investors can avail themselves of the various incentives and facilities, cover a wide range of economic sectors including agriculture, integrated forestry, integrated fisheries, livestock and other land resource undertakings, manufacturing industries for machinery and processing, backward and forward linkage industries, fully integrated textiles industries, chemical industries, medical instruments and pharmaceutical industries and transport industries. In general, investment promotion is directed at foreign investments which can help strengthen the country's foreign exchange position, which can provide employment for Indonesian nationals, which can provide increased production training and technology and which accept Indonesian equity participation. Major problems, however, are posed by the bureaucracy which slows down and increase increases the cost of investment approval and implementation, the restriction of the investment licence to 30 years, and the inadequacy of the infrastructure.

Industries which the Indonesian government declared closed to foreign capital or where foreign capital can only participate under highly restrictive conditions include the defence industries, cottage industries, wholesale and retail trade, public utilities, construction and mass media; since 1974 forestry exploitation and textile manufacture in Java have also been closed to foreign equity participation. In addition, it is obligatory for foreign enterprises to have Indonesian incorporation and the exploitation of land is restricted to Indonesian nationals, Indonesian corporations or joint ventures. Since 1974 a minimum 15-25 per cent Indonesian equity

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participation is required, the proportion rising to 51 per cent within a period of 10 years: 50 per cent of the Indonesian holdings must be held by indigenous shareholders. In addition, non-indigenous Indonesian citizens cannot have direct participation in new foreign joint ventures; a corporate partnership between the indigenous and non-indigenous Indonesians have first to be formed with an indigenous majority before entering into a joint venture with the foreign investor. Non-indigenous Indonesian entrepreneurs are also required to sell their shares to the indigenous community so that eventually 50 per cent of the shares are owned by indigenous Indonesians. Since 1974 also, detailed schedules have been issued on the Indonesianization of employment at all levels and the replacement of expatriates in all but the top posts is given a time limit.

In mining, forestry, oil and gas development, there has also been a growing stringency of regulations and rules governing foreign investment in Indonesia. In the mining sector, the foreign enterprise can only operate as a contractor of the government. The work contract allows the government control over-all phases of the operation, but the foreign enterprise bears the exploration risks. There have been three generations of this contract of work, with each succeeding generation resulting in more advantageous terms to Indonesia in terms of fiscal, foreign exchange and control features. In forestry the government has shifted its policy to insist on local participation and royalties and taxes on log exports have been raised to encourage more domestic processing. In oil and gas the production sharing agreement prevails. There has been a tendency to increase the government share of production. In 1976 the profit split was unilaterally changed in favour of the government, from a ratio of 65:35 to 85:15, leading to a sudden drop in exploration activities. Since then, oil exploration activities have been on the rise again.

In Malaysia investment incentives are directed particularly at designated "pioneer" industries and products, declared priority products, enterprises that produce products embodying at least 50 per cent of Malaysian raw materials, enterprises which are located in designated development areas, export-oriented enterprises and enterprises engaged in labour intensive operations. Priority products cover a wide range of goods including food manufactures, chemical and rubber products, machinery, transport equipment and electronics. Development areas are presently located in the various states in Peninsular Malaysia. Implementation of the New Economic Policy after 1970 have resulted in various restrictions on foreign equity participation. For industrial projects substantially dependent on the

domestic market, majority Malaysian equity is required; for projects involving the extraction and primary processing of non-renewable domestic resources, at least 70 per cent Malaysian equity, and including 30 per cent bumiputra (indigenous) participation is required; for projects manufacturing substantially for the export market, foreign majority ownership is permitted, and where justified, 100 per cent foreign equity ownership is considered. Factors which have bearing on the consideration of the equity structure of an investment proposal include the amount of investment, process and level of technology involved, location, extent of export, extent of integration with existing industries, promotional effects, how developed the industry is, and the spinoff effects from the project. As part of the Malayanization policy, Malaysians are required to be eventually trained and employed at all levels of employment. Foreign companies, however, are allowed to import foreign personnel where there is a shortage of Malaysians for the jobs.

In the Philippines the Board of Investment (BOI) annually issues "priority plans" under the various incentive legislations, listing the economic activities desired to be encouraged for the year with tax and other incentives. Such plans cover mining, manufacturing, export processing and agricultural activities. Generally the BOI seeks to promote foreign investments in the following areas - raw material processing, labour intensive manufacturing, industries which can increase the domestic content of goods sold in the domestic market, and manufacturing of components of agricultural, industrial and transport equipment. Activities in the annual priorities plans are classified into pioneer and nonpioneer. Pioneer activities are defined as those whose products are not yet manufactured in the Philippines or which use technologies and processes new to the Philippines; nonpioneer activities are those no longer considered pioneer, but nonetheless deemed to be worthy of further promotion through tax and other incentives. Foreign ownership in pioneer companies is allowed up to 100 per cent and in nonpioneer companies up to 40 per cent only, but can rise to 100 per cent for enterprises which export at least 70 per cent of their output. The pioneer company, however, is expected to gradually increase the Filipino equity participation to at least 60 per cent by the 30th year, rising to 40 years for the export enterprise.

In all areas of economic activity, the Foreign Business Regulations Act of the Philippines regulates the entry of foreign investments whenever the foreign equity exceeds 30 per cent of the total equity of an enterprise; for such investments approval has to be obtained from the Board of Investments.

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BOI approval is conditional upon the activity not being inconsistent with the various priority plans, contributing to sound and balanced development of the economy, not conflicting with the Philippines Constitution and various laws of the country, not already adequately exploited by Filipinos, and not promoting monopoly and other combination in restraint of trade. Other laws stipulate 100 per cent Filipino ownership in retail trade, rural banking, and mass media. Minimum 70-75 per cent Filipino ownership in banking, government contracts, shipping, and minimum 60 per cent Filipino ownership in public utilities, financial institutions, mineral and mineral lands, private and public lands, fishing operations and geothermal energy.

In Singapore the promotional incentives are directed at foreign enterprises that contribute to the country's export drive and the transfer of technology. The list of industries which are currently on the priority list includes the following - metal engineering and machinery, aerospace engineering; shipbuilding and transport equipment; ship machinery and fittings; optical instruments and lenses; engineering, scientific and medical equipment; electrical and electronic products; and basic chemicals, petrochemicals and fine chemicals. In the services sector government promotional efforts are directed at the development of Singapore as a financial centre, a regional headquarters for multinational corporations, a warehousing centre for international trading companies and a centre for marine activities. There are no rules and regulations governing equity participation or the employment of nationals.

In Thailand the investment promotion law requires the Board of Investment to announce the type of activity and sizes of investment available to be promoted. More than 120 categories of industrial and related activities are currently eligible for BOI promotion. The promoted industries and activities are generally of the following types - export oriented, labour intensive, local raw material intensive or import substituting. Generally BOI's approach to foreign investment is a flexible one, with each investment proposal considered on its own merit. While the preference is for joint ventures, 100 per cent foreign equity is allowed in certain types of industry. Non-promoted firms in Thailand, however, are subject to the Alien Business Law and the Alien Occupation Law of 1973. The Alien Business Law prescribes or limits foreign majority equity to certain industries. There categories of restrictions are distinguished. Generally Categories A and B businesses are closed to aliens, why Category C businesses are open subject to Ministerial regulations. Categories A and B include rice farming, salt farming and mining, orchard farming, animal husbandry, logging

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and fishing, retailing and other trading, construction and a range of processing and manufacturing activities and service industries. The Alien Occupation Law reserves various occupations for Thai nationals.

In the Republic of Korea projects eligible for foreign investment under the Foreign Capital Inducement Act are those which contribute substantially to the improvement of the balance of payments, the development of key industries or public utilities, the development of the national economy and social welfare. The specific criteria in evaluating investment applications are the following - large scale complex projects including metal, machinery and electronics which are difficult for the domestic enterprises to undertake because of their limited capital, technology and managerial skill; export oriented projects which are difficult for the domestic enterprises to exploit overseas markets, or which are economically inappropriate for them to undertake; projects which contribute to the development and effective utilization of domestic resources; and projects which are urgently required to undertake for import substitution because of inadequate domestic production.

Although the Republic of Korea's investment law does not establish any legal limit for foreign equity participation, the government in approving investment proposals prefer joint ventures. In practice, foreign equity investment may exceed 50 per cent in the following areas - entirely export-oriented projects which make substantial contribution to the improvement of technology in the industry; technology-oriented projects which promote production for export or import substitution; products of great importance to the economy; projects of multinational corporations which are allowed by other countries to be 100 per cent foreign owned because of proprietory rights and the like; projects desirable to the formation of the industrial structures; projects induced from a country hitherto without any significant investment in the Republic of Korea; and projects for which exceptional consideration is given under the terms of international treaties concluded with the Republic of Korea. Minority foreign equity participation only is allowed in purely labour intensive industrial projects; purely bonded processing industrial projects; industries dependent on domestic resources for major raw materials; and projects which are mainly oriented toward the domestic market. In effect, however, foreign equity participation has been negligible in recent years as borrowings and technology purchases are stressed.

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It is difficult to rank the countries of the region according to relative attractions for the foreign investor, based on the differences in the incentive package alone. Firstly, the countries differ in the range of facilities available and the restrictions they impose on foreign private enterprise. Secondly, the countries differ in the level and variety of non-concession tax rates imposed; for example, the non-concessional tax rate on corporate income can be as low as 20 per cent in Thailand, but is a standard rate of 40 per cent in Singapore. Thirdly, there are large elements of administrative discretion in the award of the various incentives. The cornerstone of the incentive package in all the countries with the notable exception of the Philippines, is the exemption from corporate income tax for a period of about five years; the Philippines offer to pioneer firms tax, relief from all other internal revenue taxes. The qualifying criteria vary among the countries. Dividends declared out of tax-exempt profits are normally also tax-exempt, and firms are allowed to carry forward losses. Accelerated depreciation allowances are allowed in all the countries. Malaysia provides additional tax incentives on the basis of exports, location, and labour utilization, with additional period of tax holiday for investments that meet these criteria. Indirect taxes on capital goods imports and raw material imports are usually waived. Singapore and the Republic of Korea also give tax concessions on foreign borrowings and technology imports. Most of the countries have special incentives for export enterprises. In addition to fiscal incentives, there are guarantees against expropriation, freedom to remit capital and profits, and the like.

5. Pattern of foreign investment

Data on the pattern of foreign investment in the countries of the region are shown in table 2 to 18 (in the annex). Inter-country comparison is difficult because the data differ in coverage, time period, and definition of foreign investment.

The tables on industrial distribution of foreign investment in the six countries of the region show that Indonesia has the largest stock of foreign investment in its country, while Thailand seems to have the smallest. In Indonesia, approval data show that foreign investments are concentrated in three industries, viz. basic metals, mining and textiles. In Malaysia, the foreign investment concentrations in terms of paid-up capital in approved enterprises are in food manufacturing, textiles, chemical products, and electrical and electronic products. In the Philippines balance of payments data show foreign investment concentrations in chemical products, basic metals

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and food products. In Singapore data on gross fixed assets owned by foreign enterprises show strong concentration in petroleum refining and lesser concentrations in electrical and electronic products, nonelectrical machinery and transport equipment. In the Republic of Korea the foreign investment concentrations are in chemicals, electrical and electronic products and textiles. The major foreign investment concentrations thus tend to be in textiles, electrical and electronic products, and chemicals and petroleum products.

The tables on foreign investment by country of origin highlight the importance of Japanese and American investments in the region. Japan is the leading foreign investor in Indonesia, the Republic of Korea and Thailand, while the United States has first place in the Philippines and Singapore. Singapore is the dominant investor in Malaysia.

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## III. SELECTED ISSUES

### 1. Economic nationalism, ownership and control

As in other parts of the developing world, there has been a resurgence of economic nationalism in the countries of the region in recent years. Part of this resurgence may be attributed to disenchantment with the development strategy of the last twenty years which has led to serious neglect of basic needs and equity considerations in most of the countries. Another part of it is attributable to the increased foreign presence in the countries, in the form of investments, personnel, goods and tourists. At one level economic nationalism is manifested in the preferential treatment of indigenous communities and the corresponding restrictions on the economic participation of the resident alien minorities who have traditionally dominated the trade and service sectors. Such minorities in countries like Indonesia and Malaysia have experienced a sharp decline in their economic dominance. At another level it is manifested in the growing restrictions placed on the entry and operation of foreign enterprises, notwithstanding the mushrooming of tax incentives; these restrictions have been confined largely to equity participation and employment.

The critical issue of national sovereignty over economic life centres on ownership and control. Some countries like Singapore have attempted to ameliorate the excessive dependence on foreign investments by diversifying the sources of such investments; while this reduces the economic domination by a single foreign country, it does not reduce the aggregate impact of foreign investors on the economy. Many countries have resorted to the increasing role of state enterprises, which in many cases have acted as a countervailing force to the transnational corporations. At times, some countries resort to the extreme of expropriation of foreign-owned assets; Indonesia took this resource in the 1950s. However, the countries of the region have now eschewed this drastic form of diluting foreign ownership. Other forms have been evolved. The traditional concession regime in the extractive sector and the wholly-foreign-owned subsidiary in the manufacturing and services sectors have gradually given way to joint ventures, management agreements, service contracts or contracts of work, and production sharing agreements.

On nationalistic grounds the joint venture is obviously preferable to the wholly-foreign-owned enterprise, since it allows the partnership of foreign and local capital and hopefully some extent of joint control. It

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may even be argued on economic grounds, in so far as foreign capital acts as a catalyst in drawing forth more local venture capital, and there is the learning effect on local entrepreneurs, managers, supervisors and technical personnel. But joint ownership does not necessarily entail the dilution of foreign control, which after all is the crux of the matter. Insistence on majority local participation may deter foreign investors and reduce the volume of foreign investments below the desired level. Minority local equity participation on the other hand will not increase local control significantly; it may in fact increase the extent of foreign control per unit of foreign dollar invested. Reduced foreign control is more difficult if the venture is heavily dependent on foreign technology, foreign inputs and foreign markets. Apart from the catalytic and learning effects, the economic rationle for preferring the joint venture over the wholly-foreign-owned venture lies in the former being a better corporate citizen than the latter and making a larger economic contribution to the host country. It may be argued that the joint venture is and should be as equally profit motivated as the foreign-owned firm, but that the probability of adverse transfer pricing is reduced. But the need to share profits with the local equity holder may increase the incentive to transfer pricing on the part of the foreign partner. There is also evidence that joint ventures tend to receive less favourable treatment from the parent companies by way of technology transfer. The actual benefits of the joint venture depend on the characteristics of the foreign and local partners; for example, a sleeping local partner will represent the worst of all worlds.

Foreign investors do not always seek joint ventures of their own accord. The joint venture implies that both the foreign and local counterparts have something to contribute. The foreign partner usually contributes the technology and management expertise, while the local partner the special knowledge of the domestic market, familiarity with local laws and labour and the like. Where the local partner has much less to offer, as with export-oriented enterprises, foreigner investors show greater reluctance to enter into joint ventures. Reluctance to participate in joint ventures may also arise from the lack of suitable local partners. Joint ventures are easier to form in industries where the technology is relatively standardized, so that the foreign partner is less concerned about safeguarding technological monopolies. Many country studies have also shown that the Japanese foreign investor is more amenable to the joint venture relationship than the American transnational corporation. But the preference for joint venture

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need not necessarily be accompanied by less control. In fact a major criticism of such ventures in the region is the tight control exercised by the management and by the head office.

Given the tide of economic nationalism in the region, and the urgent need to develop local entrepreneurs and managers familiar with modern business management, the joint venture should prove to be a useful instrument to diffuse nationalist sentiments. The actual benefits that a country can derive from the joint venture will depend on the structure of the industry, the technology involved, and the choice of foreign and local partners. Investment boards obviously have a very useful role to play in seeking out potential joint venture partners and marrying them off. Reluctance of foreign investors to accept the joint venture form of investment may be reduced somewhat by adopting previously agreed-upon fade-out arrangements. The fade-out arrangement, if mutually agreed upon in advance and properly phased, has several beneficial features. It recognizes the difficulties inherent in a partnership which often needs time to iron out, the need to gradually upgrade the quality of local enterprise, and the need to ensure the smooth and effective transfer of technology. Critical to the success of the fade-out arrangement is the scheduling of divestment, since too short a time horizon may encourage the foreign investor to recoup the capital and extract the monopoly rent as quickly as possible. Divestment plans can also provide for the continuing input of foreign technology and information, without continuing foreign ownership and control.

Increasing use of the non-equity arrangements is most evident in the resource sectors of the region. In the traditional concession agreement the foreign enterprise makes a direct equity investment to exploit a particular natural resource with exclusive rights of ownership. The concessions usually cover large tracts of territory and can run for decades. The main benefit that accrues to the host country are royalties and income tax receipts. Indonesia, however, has pioneered the production sharing arrangement in its oil and gas sectors. The production sharing arrangement entails the sharing of production of the enterprise between the host government and the foreign partner on the basis of a prescribed distribution formula. In the case of Indonesia, PERTAMINA is responsible for the management of the operations as well; the foreign enterprise supplies the capital equipment which becomes the property of the government, and as the contractor to Pertamina it is only responsible for the technical part of the operations.

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Such an arrangement has been singularly successful in allowing Indonesia to extract an increasing share of the economic rent. It has circumvented part of the transfer pricing problem.

Direct foreign investment has been lauded as the most efficient form of supplying in a package all the ingredients needed for the success of a project in the developing world - the capital, management, technology, and increasingly market access. The cost of the package has been increasingly questioned, because of the high rent element involved and the fact that for some countries or projects, not all the ingredients need be supplied from abroad. It is often argued that depackaging the package and acquiring each of the needed components separately and in the needed amounts will be a less costly proposition. This may be so in some cases, but it must also be recognized that every developing country has in serious short supply the technical and managerial capabilities for the acquisition and re-assembly of the separate constituents into an efficient and productive whole which can meet the needs of the country. It is also debatable whether it is possible in a less than competitive world, to buy the different components so that the sum of the costs is less than the cost of buying the package together through direct foreign investment. Of the various countries in the region, only the Republic of Korea has developed some capability in this direction. In fact the country is increasingly de-emphasizing foreign equity participation emphasizing the use of commercial loans and suppliers' credits, the purchase of technology through various forms of licensing agreements, and combining these with Korean entrepreneurship, management and marketing skills.

2. Technology transfer.

Closely related to the issue of ownership and control discussed above, is the issue of technology transfer which has generated a great deal of discussion in the international fora and in national assessments of the benefits and costs of private foreign investment. The main issues relate to the extent, appropriateness and cost of the transfer. Disenchantment with the performance of transnational corporations, who are the main purveyors of modern technology, led to calls for an international code of conduct for transnational corporations and to the establishment of United Nations agencies on transnational corporations and technology transfers.

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There are several definitions of technology transfer and several means of effecting such a transfer. At the simplest level there is the geographical transfer of technology, where a technology is transferred from a foreign base and planted in the host country; such technology may remain in the 100 per cent foreign-owned firm and be accessible only to its foreign personnel. Enclave technological transfers are of limited benefit to the recipient country. At a more sophisticated level, there is the effective human transfer of technology; the imported technology is no longer the preserve of the foreign personnel or the foreign firm, but is widely diffused, spreading from the foreign to the local personnel within the foreign firm and from the foreign firm to the other local firms in the industry. It would be even better if the local recipients of foreign technology were able to innovate and adapt it to suit the local environment and to improve upon it generally.

Technology may be transferred from one country to another either unpackaged or packaged. Unpackaged technology can be obtained separately through the technical literature, trade fairs, overseas education and training, or transferred through the imports of machinery and equipment which are accompanied by supplier's services. Packaged technology transfer is obtained through the process of direct foreign investment. The particular institutional channel adopted for technology transfer largely determines the extent and nature of the transfer. There is evidence that the extent of transfer is greatest with the wholly-foreign-owned subsidiary but declines with the decline in the share of foreign equity. The direct foreign investment allows the owner of the technology to extract the full economic rent from its monopoly over knowledge; the transfer is also more extensive and successful because knowledge remains internal to the firm and there are complementary factors available to allow a full and effective transfer. In technical licensing agreements there is the danger of the erosion of monopoly power of the technology owner. The direct investment package also allows for the transfer not only of production and technical know-how but also of managerial and organizational skills; the transfer of the latter makes for more effective utilization of the former.

The success of a technology transfer is dependent not only on the ability and willingness of the transferor (which is linked also to the instrument of transfer) but also the ability of the transferee to absorb it. The absorptive capacity of the recipient firm is dependent on the

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quality of its managerial and technical personnel. The technical capability of the recipient needs to be even higher to allow for technical adaptation. Much of the criticisms regarding the inadequacy of technology transfers to host countries have centred on the instrument of transfer and the willingness of the transferor. Not much attention has been directed to the need to improve the absorptive capacity of the recipient firm and host country, with the possible exception of the Republic of Korea in the region. Because of their higher level of industrial development and rising wages in a full employment economy, Singapore and the Republic of Korea have emphasized technology transfers more than the other countries. Tax incentives of both countries provide for the increased use of foreign technology. But while Singapore still relies on direct foreign investment and foreign managerial and technical personnel to utilize the imported technology, the Republic of Korea has gone one step ahead and invested heavily in technical and engineering manpower and in research and development facilities. It is thus in a better position to absorb the technology imported through direct foreign investment and also to buy technology separately in the international market. Singapore's ability to engage in extensive R and D is obviously constrained by its small size and limited resources. Attempts by the government to encourage transnational corporations to establish R and D facilities in the Republic have produced slow results. There are no strong push factors that would lead transnational corporations to establish off-shore R and D facilities. At the same time there are no strong pull factors exerted by Singapore - the market and resource bases for product and process adaptations are small, and there is a serious shortage of engineering manpower with its attendant high salaries. For Singapore there is obviously scope to increase the engineering manpower and for government assistance in the establishment of R and D facilities directed at adaptative rather than basic research. Failure to do so will seriously limit Singapore's ability to develop high technology industries.

The countries of Indonesia, Malaysia, Philippines and Thailand are more concerned with the issue of appropriate technology because of their high unemployment and highly skewed income distributions. It has been argued that transnational corporations have an inherent bias to adopt capital intensive techniques and to produce consumer goods which are at odds with the factor endowment and the requirement of basic needs. Empirical studies do not always support the contention that foreign firms

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tend to be more capital intensive than their domestic counterparts; they can be more labour intensive than similar operations in the home countries. Since transnational corporations are generally acknowledged to be highly cost conscious, their inability to utilize the abundant cheap labour in the host country more effectively needs some explanation. It may be argued that labour intensity makes it more difficult to control quality. The cost of technology adaptation, particularly for small production runs serving only the domestic market, may not warrant a change. An important explanation must be the capital-intensive bias of government policies in the host country. Tax exemptions, concessions and allowances are usually based on the size of capital investments and assets, duty exemptions are usually allowed on imports of capital equipment, interest rates are suppressed while labour wages are raised by minimum wage legislation and trade union demands. Only in Malaysia is there an attempt to encourage more labour intensive production through the tax incentive system. In many instances, it has been found also that labour intensive production is demanding in the use of skills, and managerial and supervisory skills are in short supply in all countries. It is thus argued in many quarters that the objective of employment creation need not necessarily be achieved through the adoption of labour intensive technology; what needs to be emphasized is not the technology mix but the product mix. In other words, the development emphasis should be on labour intensive sectors in agriculture, manufacturing and services, rather than on labour intensive processes. Singapore and the Republic of Korea have both been able to achieve high growth and high employment without emphasizing the use of appropriate labour intensive technology.

The cost of technology to the recipient firm and host country is made up of two elements. There are the explicit direct costs of payment for the use of a process, patented product or trademark and the like; in addition there are the implicit indirect costs associated with the export restrictions and market allocations and tied purchases and other conditions imposed by the technology supplier. The cost of technology is affected by considerations such as the availability of alternative sources, fiscal policies of the host government, corporate strategy and bargaining strength of the recipient country. Technology purchased independent of equity participation may be less costly, since in the case of direct foreign investment part of the economic rent from the ownership and sale of

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technology is extracted by way of high profits, which are often hidden through transfer pricing practices. But, apart from the willingness of the technology owner to supply the technology on those terms, there is the hidden cost of this type of technology purchase arising from the more restrictive conditions that are usually imposed on its use. Ignorance and weakness have seriously eroded the bargaining power of host countries and firms in developing countries from securing the available technology on the best terms. This has led to demands for an international code of conduct governing technology transfer, and for international assistance in improving the information and bargaining expertise of technology purchasers. The inability to obtain technology without equity participation on favourable terms has seriously affected the ability of developing countries such as Singapore to reduce its dependence on direct foreign investment.

3. Japanese investments in the region

Japan resumed its direct investment overseas in 1951 but for the rest of the decade the Japanese government maintained strict controls on outward investments on balance of payments grounds. The majority of investments during this period were directed to the opening of markets in North America, resource development in south-east Asia and the textile industry in Latin America. The amounts involved were not large. Large scale overseas investments took place only in the late 1960s following the improvement in the balance of payments and the consequent series of government measures liberalizing capital movements. In 1969 overseas investments of under $US 200,000 were automatically approved by the Bank of Japan; in September 1970 the ceiling for automatic approval was raised to $US 1 million; in July 1971 the limit was virtually removed. By 1978 only notification of overseas requirement was required. Reflecting the liberalization of capital outflows, Japanese overseas direct investments increased sharply in the 1970s. In 1970 the level of outward investment reached $US 1 billion, and by 1973 it rose to $US 3.5 billion. In 1974 the investment outflow slowed down in the wake of the oil crisis, but by 1975 the outflow rose again to $US 3.3 billion. By 1977 Japanese direct investments overseas on a cumulative basis had reached $US 22.2 billion.

In ASEAN, Japanese direct investments reached a cumulative total of $US 4.6 billion by 1977, accounting for 20.6 per cent of Japan's global direct investments (see table 19 in the annex). Investments in Indonesia

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alone accounted for $US3 2 billion, followed by Malaysia, Philippines, Singapore and Thailand. The sectoral distribution of investments in ASEAN shows half the investments directed to resource development, mainly in Indonesia. Investments in manufacturing accounted for another 35.2 per cent, fairly spread out among the five ASEAN countries but with the largest volume in Indonesia. Although Japanese overseas investments were a new phenomenon, the pace at which it grew in the region was significant, so that by 1977 it had become obviously dominant in Indonesia and Thailand (see table 20 in the annex). The rapid rate of growth of such investments aroused fears in some ASEAN host countries like Indonesia and Thailand by 1973. "Japan with little experience in direct investment abroad in the postwar period were faced with many new problems which in turn caused some concern in host countries. Japan has learned from this, and member companies of the Japan Federation of Economic Organization (Keidanren) and other organizations have been following the Guidelines for Investment Activities in Developing Countries since 1973". (Ikema p.12)

Japanese investments overseas can be classified into resource-oriented, market-oriented and factor-oriented. The motivations in each type are quite different. Japanese overseas investments in resource development are motivated by the strong need to secure adequate and reliable supplies of raw materials for its burgeoning industries. By 1977, one quarter of all overseas investments were in resource development. Of these investments, some two-fifths went to Indonesia. Also because of the difficulty of obtaining raw materials, environmental problems, and the difficulty of locating sites for factories within Japan, the government is encouraging the establishment of processing facilities outside the country. The motivations for Japanese overseas investments in manufacturing are somewhat more complex. In the 1960s most of these investments were made to supply the host country's market in response to import substitution strategies adopted. (Yoshihara, p.4) Increasingly however, rising wage costs and structural changes in the Japanese economy have been forcing Japanese companies to invest abroad in order to remain competitive in export markets as well as to supply the Japanese market. Thus Japanese firms began in increasing numbers to shift production of labour intensive products and processes to the low wage countries of developing East Asia and south-east Asia. The outward trend was facilitated by the appreciating yen and the increasing shortage

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of land for industrial sites in Japan. In recent years the growth of protectionism in North America and Western Europe has been directed particularly at Japanese exports, and Japan has been forced to adopt voluntary export restraints in many export products. Investment in ASEAN and other countries of south-east and east Asia will enable Japan to circumvent these restrictions. More recently, some Japanese firms have begun to experience excess management capacity as a result of slower domestic economic growth; such excess capacity puts pressure on firms to invest abroad. All these developments contributed to the attraction of overseas investment to supply markets in third countries as well as in the home country. The countries of the region also provided strong pulls. Apart from geographical preximity (and cultural propinquity in the case of the Republic of Korea) south-east Asia and developing east Asia were growing rapidly in terms of the domestic market. Import substituting industrialization has also resulted in growing protection of the domestic market; this and the generous offer of investment incentives led to large inflows of Japanese investments in these countries. South-east and east Asia also offer an abundant pool of low-wage workers.

Kojima highlighted a basic difference between the Japanese and American type of overseas investments. Japanese investments are characterized by its relatively small scale investments in declining industries, whereas American investments tend to be on a much larger scale and in the more dynamic and expanding industries. Yoshihara's study of Japanese investments in south-east and east Asia confirm the size aspect of Japanese overseas investments. (Yoshihara, p.46). The typical Japanese investment is also a joint venture.

The regional climate for Japanese investments has deteriorated rapidly in recent years. But in the 1970s, the rapid growth of trade and investment relations with Japan aroused fears of economic domination. The open attitude that prevailed when these countries first embarked on import substituting industrialization and expressed a strong need for foreign direct investments, soon gave way to reservation. Sensitivity to the "overpresence" of certain investments in the region may be due to the following possible reasons. The first is the speed and scale in which such investments were penetrating some of these

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countries in recent years. Secondly, such an influx coincided with the growing disenchantment with the pace and direction of economic and social development, so that such investments became a symbol of growth without social justice. Thirdly, there were obvious cultural differences giving rise to misunderstandings between the Japanese investor and his hosts and general unhappiness over Japanese corporate practices.

Some of the criticisms directed at Japanese investments in the region apply equally to other foreign investments in the region and elsewhere. Certain corporations in host countries are generally accused of unwillingness to hire and promote local management personnel and an inability to lessen control. There are also criticisms of inadequate training of local personnel. Some of the criticisms had little factual foundation. Nonetheless, even the incorrectly perceived grievances merit serious attention since they contributed to the general resentment against Japanese enterprises in some countries.

The violent reactions to the Japanese Prime Minister's visits to Thailand and Indonesia in 1974 have led to reassessments by home and host countries alike. On the part of Japan, corporations investing in the region have been asked to abide by a code of conduct; there is also a conscious effort not to create an "overpresence" in each country. In the host countries, more stringent rules have been drawn up to regulate the activities of foreign investments.

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## IV. PROSPECTS AND STRATEGIES

The countries of ASEAN and developing east Asia have been significant recipients of the growing volume of private foreign investments in the last one and half decades. The region has shown one of the fastest rates of economic growth in the world, which has acted as a strong pull to foreign investors in resource development and in manufacturing. In turn, foreign investments in the countries have contributed significantly to their economic development, in particular to their industrialization. The supply of private foreign investment to the region in the next decade will depend on a multiplicity of factors. These include factors which will determine the volume and direction of global overseas investments and the relative attractions of the region as an investment location vis-à-vis other parts of the world. The relative attractions will be strongly influenced by the region's economic and political stability, and investment prospects. It will also be affected by the policies and attitudes of countries in the region in the light of their redirection in development strategy to take into greater account the issues of basic needs and social equity, the tide of economic nationalism, and the sensitivity to Japanese investments.

Looking at the broad scenario, there are certain developments which will affect the volume and direction of international investments in the next decade. The global economy is going through a difficult stage. The main features of the current "crisis" are the continuing sluggishness of economic recovery from the deep recession of 1974-1975 with the associated slow down in the growth of world trade, persistent high unemployment and threat of inflation, balance of payments imbalances and unstable exchange rates. These problems are generally considered to be due to a combination of cyclical and structural factors. The short term growth prospects of the major OECD countries appear dim, particularly in the light of growing international uncertainty of oil supplies and escalating oil prices. Medium-term prospects for the next decade appear none too bright, particularly in comparison with the booming 1960s. There is the belief in many quarters that the world economy is entering a slow growth phase. Various reasons have been advanced, including the Kondratief cycle and the structural problems of post-industrial societies. There is a great need for restructuring and a more rational international division of labour. But structural readjustments in the advanced economies

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have proved particularly difficult because of various political and institutional rigidities and the problem of slow growth. If the OECD countries cannot provide the propulsion to growth of the global economy in the 1980s, more reliance will have to be placed on growth in the third world creating its own momentum. In this regard, developing countries of the Asia-Pacific basin are expected to hold out fairly bright prospects. The impact of economic development in the socialist group of countries also has to be considered, in particular the impact of China's modernization programme and its re-entry into the world economy.

The impact of global factors on the volume of international investments in the coming decade appear mixed, but it would seem that the rapid growth seen in the second half of the 1960s up to 1973 will not be repeated in the 1980s. There will be continuing investments seeking resource exploitation to fuel the needs of an industrial society, to circumvent regulations governing conservation of resources and environmental protection and to reduce the monopsonistic stranglehold of OPEC. Investments in resource development in third world countries are hampered by the growing tide of economic nationalism. Much of the resource development is likely to take place in developed countries of Australia and Canada and in Brazil. International investments in manufacturing will be affected by the relative attractions of overseas versus home locations. There are indications that many transnational corporations have become somewhat inward looking, particularly in the United States. Much of the overseas investments that took place in the last one and half decades in manufacturing facilities in developing countries have been in response to the product cycle phenomenon and rising labour costs at home vis-à-vis the relative abundance of cheap labour in south-east and east Asia and in Latin America. The growth of restrictions governing transnational corporate investments overseas and the rapid erosion of the US dollar have contributed to make the United States an increasingly attractive investment centre. Investments in offshore production facilities by transnational corporations will face increasing resistance from labour unions in home countries concerned about the export of jobs and the onslaught of cheap-labour imports from the newly industrializing economies.

Of particular importance to the countries of ASEAN, will be the trend of Japanese overseas investment in the coming decade. Japan will continue its search to ensure an adequate and stable supply of

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resources to meet its industrial needs. "Since the oil crisis in October 1973, followed by the commodity boom, the American embargo on soybean exports, the changes likely to take place in connection with the Law of the Sea, and the strong claims of developing countries for the New International Economic Order, the securing of access to resources at reasonable prices has become a very serious concern for Japan, creating something of a crisis mentality in the economy", (Kojima 1977, p.1) Japanese resource policy has the following objectives - to diversify supply sources in order to disperse risks, to undertake direct investment for refining and processing abroad, to prepare a buffer in relation to claims by the third world concerning primary commodities, and to transform and upgrade the Japanese industrial structure so as to economize on the use of energy and other natural resources. Kojima argues that Japan is particularly interested in promoting the "development import cum long term contract". Development import means that Japan assists in the development and improvement of productivity of primary products through provision of technology and finance. Long term purchasing contracts fix the volume and prices of such imports into Japan. Kojima argues that this approach to overseas resource development should be mutually acceptable to Japan and the resource-owning countries. Resource nationalism in host countries is satisfied since Japan's main interests are not in ownership and profits in upstream operations but in the export of the products to Japan at reasonable and stable prices. Japanese equity participation is limited, since financing takes the form of loans and production sharing.

The prospects are for continuing large scale Japanese investments in overseas manufacturing facilities. Although projections show that the transition from high growth to stable growth in the next decade will weaken the labour absorption capacity of Japanese industry and reduce the acute labour shortage experienced in the high growth period, there will continue to be strong pressures for overseas investments. High and rising wage costs will induce Japanese manufacturers to shift domestic production to developing countries with low labour cost; this will affect mainly the light industries which have high labour content. Japan will also increasingly engage in defensive investments overseas. With the growth

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of protectionism externally and the strong pressures to liberalize trade internally, and with changes in relative cost structures posed by the rising yen, Japan will invest overseas to maintain its competitiveness and access to markets in North America and Europe as well as in developing countries. The acute land shortage and difficulties in finding new industrial sites because of environmental reasons will force the export of more high pollutant resource processing and basic industries. In view of these various factors outlined above and some "retreat" of American overseas investments, it is assumed that Japanese overseas investments will increasingly dominate global overseas investments in the next decade.

The direction of Japanese overseas investments is likely to see some interesting changes in the 1980s. The determining factors will be the need to diversify the sources of supply of natural resources, relative changes in international cost competitiveness, political pressures in the Middle East, political sensitivity to the Japanese overpresence in south-east Asia, and the new diplomacy with regard to China. The need to diversify resource sources will direct Japanese investments to Australia, Mexico and Brazil, Canada, and Africa. Japanese dependence on Middle East oil will subject it to increasing pressures to develop upstream and downstream activities in the Middle Eastern countries in spite of the growing political risks of investing in that region.

The new feature of Japanese overseas investment in manufacturing in the 1980s will be the trend towards locating production facilities in the industrially advanced countries, in particular the United States. The rising yen and falling dollar have rapidly narrowed the cost gap for industries such as the automobile and machinery and equipment manufacture. The sensitivity of Americans to aggressive Japanese export marketing and the size of the American market itself are added considerations. There is also a strong urge on the part of Japanese managements to go transnational and follow the footpaths of American transnational corporations. Investments in the developing countries of east Asia will not grow appreciably in the next decade; rising wage costs and shortages of labour have reduced the attraction of the Republic of Korea for labour intensive manufactures while investments in capital intensive industries are handicapped by the relative small sizes of these markets and the threat to

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Japanese home industries posed by production for the Japanese market. The Republic of Korean foreign investment policy also discourages foreign equity participation. The signing of the Sino-Japanese Friendship Treaty and China's new commitment to economic development and modernization and dependence on Western technology have opened up new dimensions for Japanese trade and investments with that country. China, on its part is anxious to secure Western technology (and Japanese) and will need to import capital equipment and technological software on a massive scale; it has also agreed to the establishment of joint ventures with foreign enterprises. Its ability to finance such imports will depend on its ability to secure commercial credit and to increase its export earnings. For Japan, on the other hand, China represents an opportunity for Japanese exports of a wide range of industrial goods and an alternative source of crude oil supply. There is thus an obvious mutual need for each other. Much depends, of course, on the continuing commitment in China to economic modernization as well as its ability to absorb the influx of technology and finance the massive imports.

Political diplomacy will play a large part in determining future Japanese investments in the ASEAN countries, since Japanese interests in ASEAN are both political and economic. On economic grounds Japanese interest is generated by ASEAN's rich resources, sizeable market and geographical proximity. In addition, ASEAN straddles along a major trade route that links Japan with west Asia and western Europe and controls the Straits of Malacca which is a waterway of strategic significance to Japan. The oil crisis of 1973 and events in Indochina in 1975 have increased Japanese interests in ASEAN, although the recent Sino-Japanese rapprochment may cause some diversion of interest. In turn, ASEAN sees Japan as the economic power in Asia, a source of investment goods, foreign investment and technology transfer, a market for its primary products which can be improved through a STABEX-like arrangement between ASEAN and Japan, and a market for its rapidly expanding industries which can be facilitated through the restructuring of the Japanese economy and the transfer of processing and labour intensive industries to the ASEAN region.

ASEAN's economic relationship with Japan is schizophrenic.

/Notwithstanding

Notwithstanding the continuing need for Japanese political and economic interest in the region, there is a real political sensitivity to a Japanese "overpresence", as manifested in investment, trade and tourism. Also the image of the ugly Japanese businessman is very real in many ASEAN minds, in spite of the attempts by Japan forge greater cross cultural understanding. Many sectors in ASEAN perceive that the factors which engender Japanese expansion in the 1930s and 1940s are present today and the threat of economic expansion weights heavily on the minds of some ASEAN people. There is also resentment towards what are seen as Japanese attempts to keep ASEAN as its source of for food and raw materials, while restricting ASEAN's growing exports of processed, semi-processed and labour intensive goods through a maize of tariff and non-tariff barriers. Japanese corporations, for their part, complain of economic nationalism in ASEAN, and in particular of the inconsistencies in foreign investment policies and the frequent changes in the rules of the game in mid-stream. The sensitivity to the Japanese presence has diminished in the more recent years with the adoption of a lower profile by Japan and the departure of Americans from the region, which has increased ASEAN dependence on Japan. In fact, the complaint of ASEAN governments now is that Japan's political and economic priorities are too much centred on the United States and Europe and not enough on south-east Asia. The enunciation of the Fukuda doctrine in 1977 has done little to reassure ASEAN of Japan's continuing political and economic commitment to the region. Thus the signing of the Sino-Japanese Friendship Treaty has caused some unease in ASEAN, born of the fear that Japanese trade and investment will be unduly channelled to the newer pastures.

It is inevitable that investment relations between ASEAN and Japan will grow in the coming decade. The critical issue is to minimize the areas of conflict, and to ease the pains created by Japan's dominant position. ASEAN countries need to develop greater understanding of Japanese culture and business methods. Japan for its part, need to open up its markets to growing ASEAN exports of processed goods and labour intensive manufactures, and to facilitate the restructuring process and the transfer of processing and labour intensive industries to the region. As Hong Kong and the Republic of Korea move up the industrialization ladder under the pressure of full employment, and

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rising wage costs, facilitated by the increased domestic supplies of entrepreneurial resources and technological capability, the ASEAN countries become an increasingly attractive alternative location for labour intensive manufacture of products and components geared to export markets. Economic complementarity between Japan and ASEAN, however, must be built on a base of mutual interest and fair distribution of benefits. There are features of Japanese overseas investment that are obviously in consonance with ASEAN development prioritier and economic nationalism, in particular the Japanese preference for joint ventures (including host government participation) and the relative labour-bias of Japanese technology. But certain corporations need to provide more opportunities for local personnel to participate in the decision making process, to facilitate the transfer of technology including improvements in training schemes, and to increase export orientation.

Within ASEAN itself there are new directions in development priorities which will take on added significance in the coming decade. The growing emphasis on growth with social equity and basic needs will mean a redirection of financial and human resources to rural development. Infrastructural development, the raising of agricultural productivity and the creation of rural industries spells a greater role for public capital rather than private foreign investment. The new development priorities and economic nationalism will create strong pressures to raise the indigenous share of ownership and control of and employment in modern corporate sector. The role of private foreign equity investment is circumscribed in such a scenario. Nevertheless, there are inexorable pressures for rapid industrialisation. As the countries of the region (with the exception of the Republic of Korea) have yet to develop the capability for the successful acquisition and re-assembly of the different components of the direct investment package required in further industrialization, there will be continuing dependence on private direct foreign investment. In the context of a rapidly growing region, although the relative dependence on such investment will see some decline, the absolute dependence will continue to rise sharply. For the Republic of Korea, the trend towards depackaging and the use of commercial loans and licensing agreements will accelerate. For the region as a whole, the emphasis will be to channel private foreign investments into resource development and into labour intensive manufacturing for export in the

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four ASEAN countries excepting Singapore, and into skill-intensive and higher technology industries in the Republic of Korea and Singapore. For ASEAN, greater emphasis will be placed on contractual arrangements of the production sharing type in resource development and joint ventures in manufacturing.

The quality of private foreign investment in the region can be raised by improving the general investment climate without resort to more fiscal incentives and by increasing the absorptive capacity for imported technology. While the evidence is not entirely conclusive, empirical studies have indicated that investors do not generally regard tax incentives as critical in their investment decisions. The investment climate can thus be improved through efforts to maintain political and economic stability, through eschewing arbitrary ad hoc changes in foreign investment policies (since it is not only the restrictiveness but also the uncertainty that deters the foreign investor) and through better provision of the supporting physical, institutional and human infrastructure. In particular, there is need to minimise the bureaucratic red tape and improve the efficiency of investment approval and screening, and to improve training facilities so as to increase the absorptive capacity of local entrepreneurs, management and workers for the imported management techniques and preocess know-how.

ASEAN economic co-operation can improve the region's attraction for foreign investments as well as increase the net benefits of such investments. In so far as co-operation contributes to political and economic stability, it acts as a powerful stimulus to private foreign investments. The integration of the various national markets will also increase the attraction for regional-market-oriented type of investments and thus increase the bargaining leverage of host countries. Regional co-operation will also increase the probability of successful industrial complementation between ASEAN and specific industrial economies and facilitate the flow of direct investments from the latter to the former on more favourable terms.

The benefits from private foreign investment can be increased through the regional harmonization of investment promotion programmes. This does not imply the adoption of a common system of investment incentives,

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since it is politically and administratively difficult to conceive of such a move in the absence of some degree of regional industrial planning. More fruitful areas of collaboration lie in the understanding not to compete with each other for specific investment projects which have at times resulted in excessive offer of incentives, and in the mounting of joint investment promotion programmes. The organization of investment seminars along the lines of those organized by EEC-ASEAN-EBIC increase investor awareness of the region's investment prospects without additional cost. The same applies to the pooling of resources and the establishment of joint investment promotion offices in various overseas centres. ASEAN co-operation can also play an important role in improving the terms and conditions of technology imports - pooling of information on royalty payments, technical fees, transfer pricing practices and restrictive business practices and of scarce negotiating expertise will go a long way to improve the terms and conditions of such imports.

Finally, ASEAN economic co-operation can play a role in the promotion of intra-ASEAN investments and so reduce the sensitivity arising from excessive dependence on a single external source such as Japan or the United States. Intra-regional investments already exist, but this can be facilitated by preferential incentives awarded to investments from ASEAN sources. Encouragement should also be given towards the promotion of ASEAN-owned and ASEAN-based transnational corporations. A regional corporation (privately owned and privately managed) will be able to enjoy scale economies of various types and will have better access to regional finance, management resources, and rationalize production, sourcing and marketing practices. It will provide a countervailing force to American and Japanese transnational corporations.

In summary, barring adverse political developments, the south-east and east Asian region will remain one of the most attractive foreign investment area in the 1980s because of the growth potential of these economies, the wealth of natural resources and the abundance of low-cost labour. The main issue is for the countries of the region to adopt the appropriate foreign investment policies to attract the necessary resources inflows without an unduly high degree of foreign ownership and control.

/Annex

Annex

Table 1. Ownership of share capital in the corporate sector of Malaysia: actual and targeted a/

| | Malays | Other Malaysians | Foreign | Total private |
|---|---|---|---|---|
| 1970: value in $M million | 125.6 | 1,826.5 | 3,377.1 | 5,329.2 |
| per cent distribution | 2.4 | 34.3 | 63.3 | 100.0 |
| 1975: value in $M million | 768.1 | 3,687.3 | 5,434.7 | 9,890.1 |
| per cent distribution | 7.8 | 37.3 | 54.9 | 100.0 |
| 1971-1975 actual growth rate per cent per annum | | | | |
| share capital | 43.6 | 15.1 | 10.0 | 13.2 |
| GDP | | | | 7.4 |
| 1980 target: | | | | |
| value in $M million | 3,284.3 | 8,290.5 | 8,952.2 | 20,527.0 |
| per cent distribution | 16.0 | 40.4 | 43.6 | 100.0 |
| 1990 target: | | | | |
| value in $M million | 24,009.7 | 32,012.9 | 24,009.7 | 80,032.3 |
| per cent distribution | 30.0 | 40.0 | 30.0 | 100.0 |
| 1975-1990 target growth rate per cent per annum | | | | |
| share capital | 25.8 | 15.5 | 10.4 | 15.0 |
| GDP | | | | 8.3 |

Source: Third Malaysia Plan 1976-1980, p.86.

Note: a/ Refers to Peninsular Malaysia only.

/Table 2.

Table 2. Indonesia: approved foreign investment projects by Sector, 1967-1977

| Sector | No. of projects | Total planned ($US million) | Investment % distr. |
|---|---|---|---|
| Agriculture & fishery | 68 | 131.8 | 2.0 |
| Forestry | 84 | 522.8 | 8.0 |
| Mining | 15 | 1,272.8 | 19.4 |
| Food industry | 62 | 251.0 | 3.8 |
| Textiles | 66 | 1,024.7 | 15.6 |
| Chemical and paper industries | 137 | 598.5 | 9.1 |
| Basic and metal industries | 166 | 2,018.0 | 30.7 |
| Other industries | 36 | 89.0 | 1.4 |
| Construction | 61 | 100.5 | 1.5 |
| Hotel | 10 | 165.6 | 2.5 |
| Transport and communications | 20 | 57.5 | 0.9 |
| Services and others | 55 | 253.2 | 3.9 |
| Total | 780 | 6,565.4 | 100.0 |

Source: Investment Coordinating Board (BKPM) as reported in Susantoro, Preliminary Survey of the Role of Transnational Corporation in Foreign Investment Contract in Indonesia, monograph, ESCAP Development Planning Division, January 1978.

Table 3. Indonesia: approved foreign investment projects by country, 1967-1977

| Country or area | No. of projects | Total planned ($US million) | Investment % distr. |
|---|---|---|---|
| Japan | 200 | 2,440.1 | 37.2 |
| United States of America | 104 | 728.0 | 11.1 |
| Hong Kong | 109 | 678.7 | 10.3 |
| Federal Republic of Germany | 28 | 204.2 | 3.1 |
| Australia | 44 | 215.7 | 3.3 |
| Netherlands | 44 | 193.1 | 2.9 |
| Singapore | 43 | 161.8 | 2.5 |
| Switzerland | 15 | 145.9 | 2.2 |
| Transnationals | 10 | 753.1 | 11.5 |
| Others | 183 | 1,044.8 | 15.9 |
| Total | 780 | 6,565.4 | 100.0 |

Source: As above

/Table 4.

Table 4. Malaysia: foreign investment in approved projects by type of incentive, 1976 and 1977

| Type of incentive | Proposed foreign palled-up capital | | | |
|---|---|---|---|---|
| | 1976 | | 1977 | |
| | ($M million) | % distr. | ($M million) | % distr. |
| Pioneer status | 68.2 | 59.8 | 35.5 | 32.9 |
| Investment tax credit | 19.7 | 17.3 | 14.8 | 13.7 |
| Labour utilization relief | 0.7 | 0.6 | 4.5 | 4.2 |
| Locational incentive | 0.7 | 0.6 | 31.4 | 29.1 |
| Other incentives | 2.8 | 2.4 | - | - |
| Without tax incentives | 22.0 | 19.3 | 21.7 | 20.1 |
| **Total** | 114.1 | 100.0 | 107.9 | 100.0 |

Source: Federal Industrial Development Authority Annual Report 1977.

/Table 5

Table 5. Malaysia: foreign investment by industry in approved companies in production as at end 1976

| Industry | Paid-up capital ($M million) | % distr. | Loan capital ($M million) | % distr. |
|---|---|---|---|---|
| Food manufacturing | 164.4 | 13.9 | 72.9 | 18.0 |
| Beverages & tobacco | 51.4 | 4.3 | 3.2 | 0.8 |
| Textiles & textile products | 201.4 | 17.0 | 115.2 | 28.4 |
| Leather & leather products | 3.0 | 0.3 | - | - |
| Wood & wood products | 39.4 | 3.3 | 43.9 | 10.8 |
| Printing & publishing paper | 10.2 | 0.9 | 1.0 | 0.3 |
| Chemical & chemical products | 127.6 | 10.8 | 5.9 | 1.5 |
| Petroleum & petroleum products | 74.8 | 6.3 | 40.2 | 9.9 |
| Rubber products | 56.7 | 4.8 | 11.1 | 2.7 |
| Plastic products | 9.9 | 0.8 | 0.3 | 0.1 |
| Nonmetallic products | 54.8 | 4.6 | 6.8 | 1.7 |
| Basic metal industries | 44.7 | 3.8 | 26.1 | 6.4 |
| Fabricated metal products | 60.5 | 5.1 | 8.6 | 2.1 |
| Machinery manufacturing | 26.3 | 2.2 | 5.0 | 0.1 |
| Electrical & electronic products | 155.6 | 13.2 | 50.7 | 12.5 |
| Transport equipment | 15.3 | 1.3 | 2.1 | 0.5 |
| Professional & scientific equipment | 16.0 | 1.4 | 6.1 | 1.5 |
| Miscellaneous industries | 16.5 | 1.4 | 6.6 | 1.6 |
| Hotel sector | 53.3 | 4.5 | - | - |
| **Total** | 1,181.6 | 100.0 | 405.9 | 100.0 |

Source: Federal Industrial Development Authority Annual Report 1977.

/Table 6.

Table 6. Malaysia: foreign investment by country in approved companies in production as at end 1976

| Country | Paid-up capital ($M million) | Paid-up capital % distr. | Loan capital ($M million) | Loan capital % distr. |
|---|---|---|---|---|
| Singapore | 296.3 | 25.1 | 16.8 | 4.2 |
| Japan | 256.5 | 21.7 | 178.2 | 43.9 |
| United Kingdom | 162.0 | 13.7 | 40.9 | 10.1 |
| United States | 144.5 | 12.2 | 94.1 | 23.2 |
| Hong Kong | 128.8 | 10.9 | 30.0 | 10.9 |
| Netherlands | 31.1 | 2.6 | 9.9 | 2.4 |
| Australia | 27.0 | 2.3 | 8.1 | 2.0 |
| India | 25.6 | 2.2 | 12.1 | 3.0 |
| Denmark | 18.5 | 1.6 | 0.1 | a/ |
| Bamahas | 18.3 | 1.5 | - | - |
| Canada | 13.9 | 1.2 | 2.1 | 0.5 |
| Others | 59.1 | 5.0 | 15.7 | 3.9 |
| ASEAN | (302.6) | (25.6) | (16.8) | (4.2) |
| Total | 1,181.6 | 100.0 | 405.9 | 100.0 |

Source: Federal Industrial Development Authority Annual Report 1977.

Note: a/ Not separately indicated

/Table 7.

Table 7. Philippines: foreign investment by sectors, CB-BOI survey data, 1970

| | Per cent distribution |
|---|---|
| Agriculture | 0.1 |
| Mining and quarrying | 14.5 |
| Commerce | 10.7 |
| Transport, communications, utilities | 5.4 |
| Construction | 0.3 |
| Services | 11.4 |
| Manufacturing | 57.7 |
| Food manufacturing | 8.5 |
| Beverages | 4.4 |
| Tobacco | 1.8 |
| Textiles, made up textiles, footwear | 1.9 |
| Wood products | 1.6 |
| Furniture and fixtures | - |
| Paper and paper products | 4.2 |
| Printing and publishing | -a/ |
| Leather and leather products | - |
| Rubber products | 3.1 |
| Chemicals and chemical products | 7.2 |
| Nonmetallic mineral products | 1.7 |
| Metal products | 4.0 |
| Machinery except electrical | 1.9 |
| Electrical machinery and appliances | 2.5 |
| Transport equipment | 0.4 |
| Miscellaneous including petroleum products | 14.1 |
| Total: per cent | 100.0 |
| million pesos | 3,777 |

Note: a/ Not separately indicated

/Table 8.

Table 8. Philippines: remitted foreign investments by sectors, cumulative February 1970 to June 1977

| Sectors | Amount in ($US million) | Per cent distribution |
|---|---|---|
| Banking and finance | 170.8 | 24.5 |
| banks | 120.5 | 17.3 |
| other financial institutions | 50.3 | 7.2 |
| Manufacturing | 383.4 | 55.1 |
| Public utilities | 13.9 | 2.0 |
| transport | 11.0 | 1.6 |
| communications | 2.9 | 0.4 |
| Mining | 59.0 | 8.5 |
| copper | 26.1 | 3.8 |
| petroleum and gas | 22.0 | 3.2 |
| iron | 8.8 | 1.3 |
| nickel | 1.4 | 0.2 |
| Commerce | 39.1 | 5.6 |
| wholesale trade | 26.3 | 3.8 |
| real estate | 10.2 | 1.5 |
| Agriculture, fishery and forestry | 7.9 | 1.1 |
| Services | 20.5 | 2.9 |
| Construction | 0.8 | 0.1 |
| Other industries | 0.5 | 0.1 |
| Total | 695.8 | 100.0 |

Source: Central Bank of the Philippines, as reported in Mamoru Tsuda, Rigoberto D. Tiglao and Edith Sangalang Atienza, "The Impact of TNCs in the Philippines: A Review of Foreign Investments in the Philippines", U.P. Law Centre, June 1978, monograph.

/Table 9.

Table 9. Philippines: remitted foreign investments by industry, cumulative February 1970 to June 1977

| Industry | Amount in ($US million) | Per cent distribution |
|---|---|---|
| Chemical products | 86.4 | 12.4 |
| Basic metal industries | 57.8 | 8.3 |
| Food products | 49.3 | 7.1 |
| Petroleum and coal | 28.2 | 4.1 |
| Metal products | 27.0 | 3.9 |
| Rubber | 23.5 | 3.4 |
| Textiles | 20.9 | 3.0 |
| Transport equipment | 17.5 | 2.5 |
| Miscellaneous industries | 15.4 | 2.2 |
| Electrical and electronics | 12.6 | 1.8 |
| Paper and paper products | 11.1 | 1.6 |
| Wood, cane and cork | 8.5 | 1.2 |
| Machinery except electrical | 7.4 | 1.1 |
| Sugar | 6.7 | 1.0 |
| Nonmetallic mineral products | 6.5 | 0.9 |
| Tobacco | 2.7 | 0.4 |
| Printing, publishing & allied industries | 1.5 | a/ |
| Leather & leather products | 0.4 | a/ |
| Furniture and fixtures | 0.1 | a/ |
| Total manufacturing | 383.4 | 55.1 |
| All sectors | 695.8 | 100.0 |

Source: As in table 8, Tsuda et al.

Note: a/ Not separately indicated

/Table 10.

Table 10. Philippines: equity investments by nationality of investors, CB-BOI survey data, 1970

| Nationality | million pesos | % of total investments | % of foreign investments |
|---|---|---|---|
| Filipino | 5,736 | 60.3 | - |
| Foreign | 3,777 | 39.7 | 100.0 |
| United States | 2,996 | 31.5 | 79.3 |
| Chinese | 166 | 1.7 | 4.4 |
| Spanish | 153 | 1.6 | 4.1 |
| British | 101 | 1.1 | 2.7 |
| Dutch | 97 | 1.0 | 2.6 |
| Canadian | 51 | 0.5 | 1.3 |
| Japanese | 40 | 0.4 | 1.1 |
| Swiss | 20 | 0.2 | 0.5 |
| Swedish | 17 | 0.2 | 0.4 |
| German | 6 | 0.1 | 0.2 |
| Others | 129 | 1.4 | 3.4 |
| Total | 9,513 | 100.0 | - |

/Table 11.

Table 11. Philippines: remitted foreign investments by country, 1973-1977

| Country or area | Per cent distribution | | | | |
|---|---|---|---|---|---|
| | 1973 | 1974 | 1975 | 1976 | 1977 |
| United States | 64.3 | 55.1 | 48.4 | 47.9 | 49.4 |
| Japan | 9.7 | 14.6 | 23.5 | 24.2 | 21.7 |
| Canada | 0.3 | 8.6 | 8.7 | 7.8 | 7.0 |
| United Kingdom | 16.5 | 9.2 | 7.3 | 5.8 | 4.7 |
| Switzerland | 0.8 | 1.2 | 1.6 | 1.8 | 2.2 |
| Hongkong | 1.3 | 1.4 | 2.1 | 2.8 | 3.9 |
| Others | 7.1 | 9.9 | 8.4 | 9.7 | 11.1 |
| Total: per cent | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| $US million | 146.1 | 269.2 | 390.9 | 513.0 | 695.8 |

Source: As in table 8

/Table 12.

Table 12. Major sources of foreign investment in industry, Singapore, 1977

| Major source | Investment in gross fixed assets as at end 1977 | |
|---|---|---|
| | ($S million) | % distribution |
| United States | 1,366.5 | 33.0 |
| EEC | 1,323.4 | 31.9 |
| Japan | 633.3 | 15.3 |
| Others | 821.9 | 19.8 |
| Total, all sources | 4,145.1 | 100.0 |

Source: Economic Development Board, Singapore.

/Table 13.

Table 13. Singapore: foreign investments by industry, 1977

| Industry | Gross fixed assets at end 1977 ($S million) | % distribution |
|---|---|---|
| Food, beverages and tobacco | 143.0 | 3.5 |
| Textiles | 151.8 | 3.7 |
| Garments, made up textiles & footwear | 102.8 | 2.5 |
| Leather & rubber products except rubber proc. | 38.0 | 0.9 |
| Wood products | 161.6 | 3.9 |
| Paper products | 46.7 | 1.1 |
| Industrial chemicals | 62.8 | 1.5 |
| Other chemical products | 113.2 | 2.7 |
| Petroleum & petroleum products | 1,616.6 | 39.0 |
| Plastic products | 63.8 | 1.5 |
| Nonmetallic mineral products | 83.2 | 2.0 |
| Basic metal industries | 54.6 | 1.3 |
| Fabricated metal products | 123.9 | 3.0 |
| Machinery except electrical | 385.2 | 9.3 |
| Electrical machinery, apparatus, appliance & supplies | 504.9 | 12.2 |
| Transport equipment | 287.4 | 6.9 |
| Precision equipment & optical goods | 172.0 | 4.1 |
| Other manufacturing industries | 33.7 | 0.8 |
| Total foreign investment in gross fixed assets | 4,145.1 | 100.0 |

Source: Economic Development Board, Singapore.

/Table 14.

Table 14: Thailand: equity participation by nationality and industry group, 1960-1973

(percentage distribution)

| Industry group | Thai | Japanese | American | Others |
|---|---|---|---|---|
| Agriculture products & fishery | 65.1 | 5.6 | 23.2 | 6.1 |
| Metal, metal products & mineral products | 64.3 | 6.8 | 12.8 | 16.1 |
| Food and cold storage | 74.0 | 5.7 | 4.1 | 16.2 |
| Textile and fibre products | 65.5 | 20.5 | 1.2 | 12.8 |
| Wood products | 84.2 | 2.1 | 8.5 | 5.2 |
| Chemical and chemical products | 61.6 | 17.9 | 2.7 | 17.8 |
| Petroleum & petrochemical products | 43.4 | 8.8 | 19.5 | 28.3 |
| Rubber products, plastic products | 57.2 | 9.1 | 13.6 | 20.1 |
| Electrical and electronics | 56.7 | 9.1 | 17.7 | 16.5 |
| Labour saving devices, engines etc. | 76.5 | 3.4 | 7.1 | 13.0 |
| Nonmetallic mineral products | 81.4 | 1.5 | 5.6 | 11.5 |
| Glass sheet and spectable glass | 66.6 | 15.4 | - | 18.0 |
| Paints | 39.5 | 6.2 | 12.9 | 41.4 |
| Vehicle and spare parts | 59.2 | 29.6 | 5.2 | 6.0 |
| Hotels | 71.8 | 1.5 | 12.6 | 14.1 |
| Transportation and others | 69.4 | 6.4 | 3.8 | 20.4 |

Source: Board of Investments as reported in Sura Sanittanont, "The role of Japanese Investment in Thailand: with special reference to the textile industry", in Japan's Overseas Investment compiled by Takeshi Mori, Institute of Developing Economies, March 1976.

/Table 15.

Table 15. Thailand: registered capital of firms granted promotion certificates classified by nationality, 1960-1977

| Nationality of ownership | Registered capital (million bahts) | Registered capital per cent distribution |
|---|---|---|
| Japan | 1,208.9 | 34.7 |
| United States | 543.1 | 15.6 |
| United Kingdom | 198.3 | 5.7 |
| Hong Kong | 198.6 | 5.7 |
| Malaysia | 97.5 | 2.8 |
| Federal Republic of Germany | 80.5 | 2.3 |
| Switzerland | 79.7 | 2.3 |
| Netherlands | 75.2 | 2.1 |
| France | 60.5 | 1.7 |
| India | 52.3 | 1.5 |
| Singapore | 44.8 | 1.3 |
| Others | 376.6 | 10.8 |
| Total foreign | 3,486.2 | 100.0 |
| Thailand | 9,419.9 | |
| All countries | 12,906.1 | |

Source: Thailand, Board of Investment, Key Indicators of Thailand 1978.

/Table 16.

Table 16. epublic of Korea: foreign investment approvals, 1962-1978

| Year | No. of projects | Amount in ($US million) |
|---|---|---|
| 1962-1966 | 17 | 28.3 |
| 1967-1971 | 202 | 115.6 |
| 1972 | 136 | 100.4 |
| 1973 | 248 | 171.1 |
| 1974 | 99 | 102.5 |
| 1975 | 35 | 193.9 |
| 1976 | 45 | 37.6 |
| 1977 | 50 | 78.7 |
| 1978 (July) | 28 | 63.5 |
| Total | 860 | 927.6 |

Source: Economic Planning Board, Guide to Investment in Korea, p.103

/Table 17.

Table 17. Republic of Korea: foreign investment approval by country (as of July 1978)

| Country of origin | No. of projects | Amount of investment ($US million) | % distribution |
|---|---|---|---|
| Japan | 669 | 547.5 | 59.0 |
| United States | 117 | 168.8 | 18.2 |
| Netherlands | 4 | 66.0 | 7.1 |
| Panama | 5 | 18.4 | 2.0 |
| Federal Republic of Germany | 17 | 13.6 | 1.5 |
| France | 5 | 11.4 | 1.3 |
| United Kingdom | 5 | 11.4 | 1.2 |
| Switzerland | 6 | 11.2 | 1.2 |
| Hong Kong | 11 | 9.4 | 1.0 |
| Italy | 2 | 1.1 | 0.1 |
| Others | 19 | 68.8 | 7.4 |
| Total | 860 | 927.6 | 100.0 |

Source: Economic Planning Board, Guide to Investment in Korea, p. 104.

/Table 18.

Table 18. Republic of Korea: foreign investment approval by industry (as of July 1978)

| Industry/Sector | Amount in ($US million) | Per cent distribution |
|---|---|---|
| Agriculture, forestry & fishery | 13.6 | 1.5 |
| Agriculture & forestry | 7.0 | 0.8 |
| Fishery | 6.7 | 0.7 |
| Mining and manufacturing | 713.9 | 76.9 |
| Mining | 2.5 | 0.3 |
| Manufacturing | 711.3 | 76.6 |
| Food and beverages | 3.7 | 0.4 |
| Textile and wearing apparel | 99.7 | 10.7 |
| Wood products | 0.7 | a/ |
| Fertilizer | 41.8 | 4.5 |
| Pharmaceuticals | 5.0 | 0.5 |
| Chemicals | 185.8 | 20.0 |
| Petrochemicals | 70.3 | 7.6 |
| Ceramics | 12.5 | 1.4 |
| Iron and steel, metals | 46.9 | 5.2 |
| Machinery and spare parts | 65.1 | 7.0 |
| Electrical and electronics | 120.1 | 12.9 |
| Transport equipment | 42.7 | 4.6 |
| Miscellaneous manufactures | 16.8 | 1.8 |
| Services | 200.1 | 21.6 |
| Banking | 30.4 | 3.3 |
| Construction and services | 27.5 | 3.0 |
| Transportation and storage | 4.3 | 0.5 |
| Hotels | 138.0 | 14.8 |
| Total | 927.6 | 100.0 |

Source: Economic Planning Board, Guide to Investment in Korea, p. 105.

Note: a/ Not separately indicated

/Table 19.

Table 19. Japan: direct investments in ASEAN countries
(at at end of FY 1977, $US million)

| | Indonesia | Malaysia | Philippines | Singapore | Thailand | Total ASEAN | Total World | ASEAN as % of World |
|---|---|---|---|---|---|---|---|---|
| Agriculture & fishery | 120 | 17 | 19 | 1 | 6 | 163 | 558 | 29.2 |
| Mining | 2,088 | 104 | 200 | - | 5 | 2,397 | 5,311 | 45.1 |
| Manufacturing | 753 | 268 | 109 | 268 | 216 | 1,614 | 7,139 | 22.6 |
| Foodstuffs | 21 | 13 | 13 | 4 | 37 | 88 | 363 | 24.2 |
| Textiles | 285 | 77 | 20 | 7 | 116 | 505 | 1,285 | 39.3 |
| Lumbering & pulps | 44 | 41 | 7 | 11 | 3 | 106 | 627 | 16.9 |
| Chemicals | 59 | 57 | 23 | 11 | 17 | 167 | 1,369 | 12.2 |
| Iron & nonferrous metals | 136 | 25 | 21 | 12 | 12 | 206 | 1,051 | 19.6 |
| General machinery | 6 | 3 | 2 | 39 | 4 | 54 | 513 | 10.5 |
| Electrical machinery | 18 | 32 | 5 | 49 | 3 | 107 | 848 | 12.6 |
| Transport equipment | 35 | 4 | 8 | 83 | 12 | 142 | 538 | 26.4 |
| Others | 149 | 16 | 8 | 51 | 12 | 236 | 545 | 43.3 |
| Commerce & others | 163 | 30 | 48 | 86 | 47 | 374 | 7,856 | 4.7 |
| Real estate & branch offices | 6 | 5 | 5 | 15 | 3 | 34 | 1,347 | 2.5 |
| Total, above | 3,128 | 425 | 381 | 370 | 277 | 4,581 | 22,211 | 20.6 |
| Total, end FY 1966 | 109 | 28 | 35 | 19 | 49 | 240 | 1,451 | 16.5 |

Source: Makoto Ikema, Japan's Economic Relations with ASEAN, paper presented to the Tenth Pacific Trade and Development Conference, Canberra, March 1979.

/Table 20.

Table 20. Direct investment outstanding in ASEAN countries, 1977

| Country or area | Indonesia ($US million) | Malaysia ($M million) | Philippines (million pesos) | Singapore ($S million) | Thailand (million baht) |
|---|---|---|---|---|---|
| Japan | 2,080 | 240 | 1,058 | 633 | 1,321 |
| United States | 1,020 | 191 | 1,384 | 1,366 | 615 |
| Australia | 185 | 27 | 188 | a/ | 23 |
| Singapore | 165 | 226 | a/ | - | 40 |
| Malaysia | a/ | - | a/ | a/ | 98 |
| India | a/ | 10 | a/ | a/ | 51 |
| Hong Kong | 577 | 106 | 38 | a/ | 226 |
| Republic of Korea | a/ | a/ | 133 | a/ | a/ |
| Other Asia | 672 | a/ | a/ | a/ | a/ |
| United Kingdom | 90 | 124 | 352 | 566 | 189 |
| Netherlands | 180 | 4 | a/ | 571 | 75 |
| Federal Republic of Germany | 181 | 25 | 57 | 130 | 75 |
| Total | 5,372 b/ | 1,024 c/ | 4,179 | 4,145 d/ | 3,776 |

Source: Yasukichi Yasuba, The Impact of Asean on the Asian-Pacific Region, paper presented to the Tenth Pacific Trade and Development Conference, Canberra, March 1979.

Notes: a/ Not separately indicated
b/ June 1978 figures
c/ Pioneer investments only
d/ Fixed assets in manufacturing sector only

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